Welcome to the new 'Weekly Risk Appetite Gauge' publication –> an assessment of the level of 'fear & greed' in market prices, using a blend of short (1 – 2 week) and medium term (1 – 4 month) market timing indicators.

Weekly Assessment of the Market's 'Appetite for Risk': Signs of Euphoria -> (still) Building in Global Markets

Global equities continued to push higher last week. With that, there were new highs in several US indices (including the S&P500, NASDAQ100, DJIA, the Russell 2000, and others), in European markets (e.g. see the Spanish IBEX), and new multi-year highs in EM equities (e.g. see the MSCI EM index). In some cases, the price action is 'near vertical', which is a key sign of **exuberance and FOMO buying**. Price behaviour in other asset classes is similar, with somewhat parabolic moves in precious metals (gold and silver) and sharp rallies in other assets such as Bitcoin (FIG 1c) and copper.

In other words, **broad-based signs of euphoria** in markets have continued to build. That's increasingly reflected in the message of our medium term models, which are warning of a pullback.

Most notably, our SELL-off indicator has continued to march higher and is currently on a reading of +41. This model generates a signal when markets have become **persistently and excessively 'greedy'**. When the model moves above +20, it signals a heightened risk of a pullback. It's shown in FIG 1a and has a good track record (available upon request).

Consistent with that, retail positioning is bullish (e.g. see FIG 1f); downside put protection in portfolios is low (signalling high levels of complacency, see FIGs 1g & 2d); and our main medium term risk appetite model (RAG1) is on SELL at high levels (FIG 1). Elsewhere, various equity markets have become overbought in the near term (e.g. the DAX, FIG 1a) while other short term models have risen back up to high/SELL levels this past week (see FIGs 2 – 2e). Added to which, volumes in US equity futures have collapsed, which is typically a sign that **a major top in equity markets is close** (see FIG 1f).

We therefore continue to favour a cautious stance on equities, both in the near term and in 'tactical' portfolios (with a 1 – 4 month time horizon).

There are multiple risks to that view. In a 'normal' market environment, a pullback would be highly likely. It's possible, though, that markets (i) remain supported by the US/global rate-cutting cycle and/or (ii) are in a bubble – driven higher by ongoing speculative activity (as we highlighted in last week's tactical update*).

Clearly, we have been early in turning cautious on equities, and it's plausible that markets squeeze higher (i.e. 'bubble-like' behaviour persists). Given such clear SELL signals from key models, though, the risk reward favours staying NEUTRAL relative to our benchmark*.

Please see below for a full list of **key events and macro data due this week**.

Kind regards,

The team @ Longview Economics

*For detail last week's Tactical Equity Outlook, 1st October 2025: "Speculative Excess, Froth and Euphoria A.k.a. Tactically Cautious US Equities"

FIG 1: Longview medium term RAG1 vs. S&P500

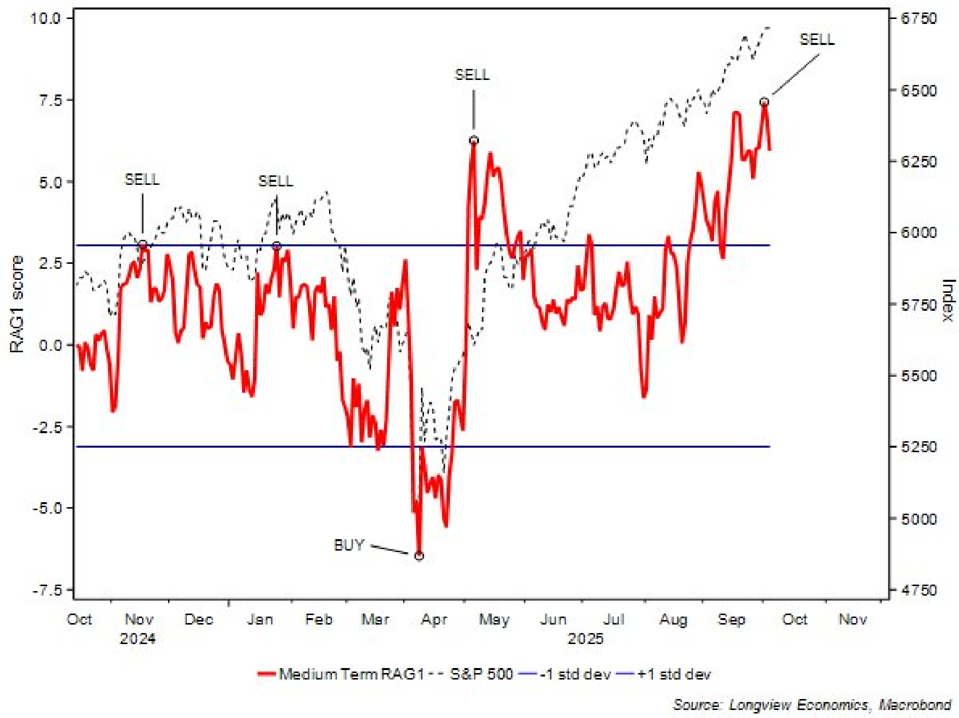


FIG 1a: Longview SELL-off indicator vs. S&P500

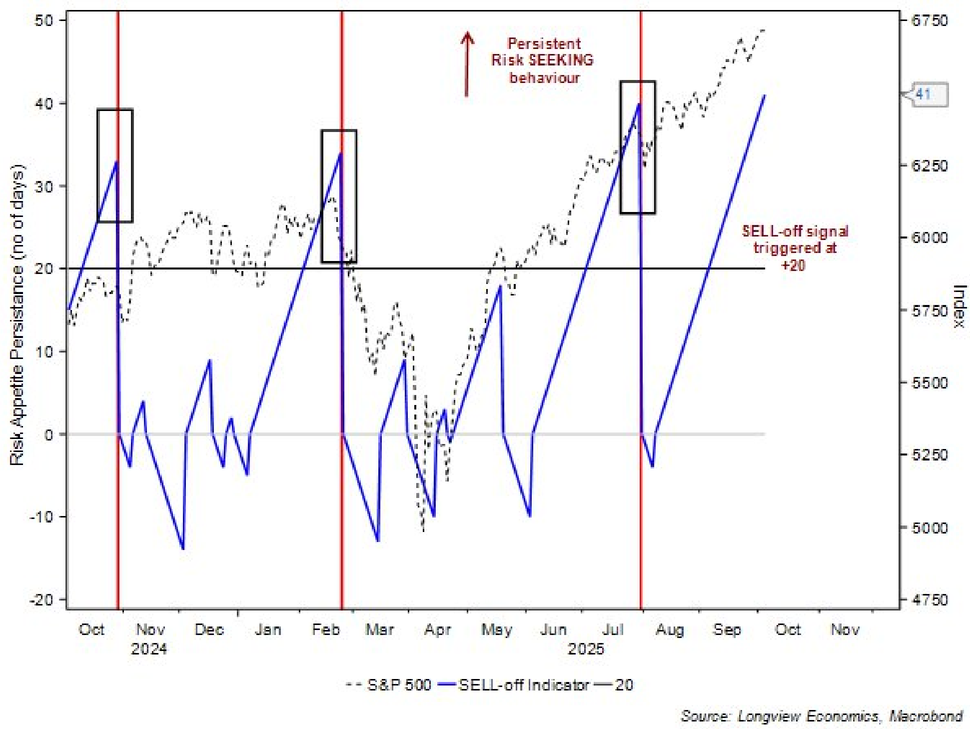


FIG 1b: Longview DAX30 **short term 'technical'** scoring system vs. DAX futures

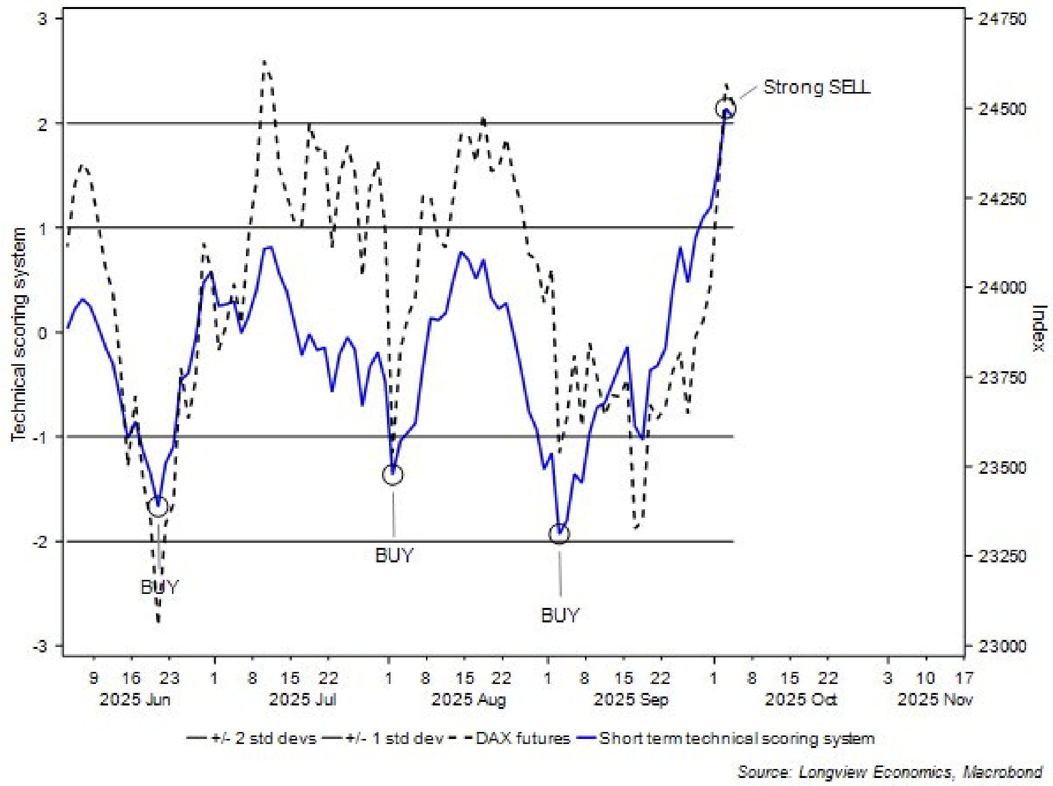


FIG 1c: Bitcoin (USD) and the S&P500

FIG 1d: US CBOE single stock call options (no. of contracts, smoothed) vs. S&P500

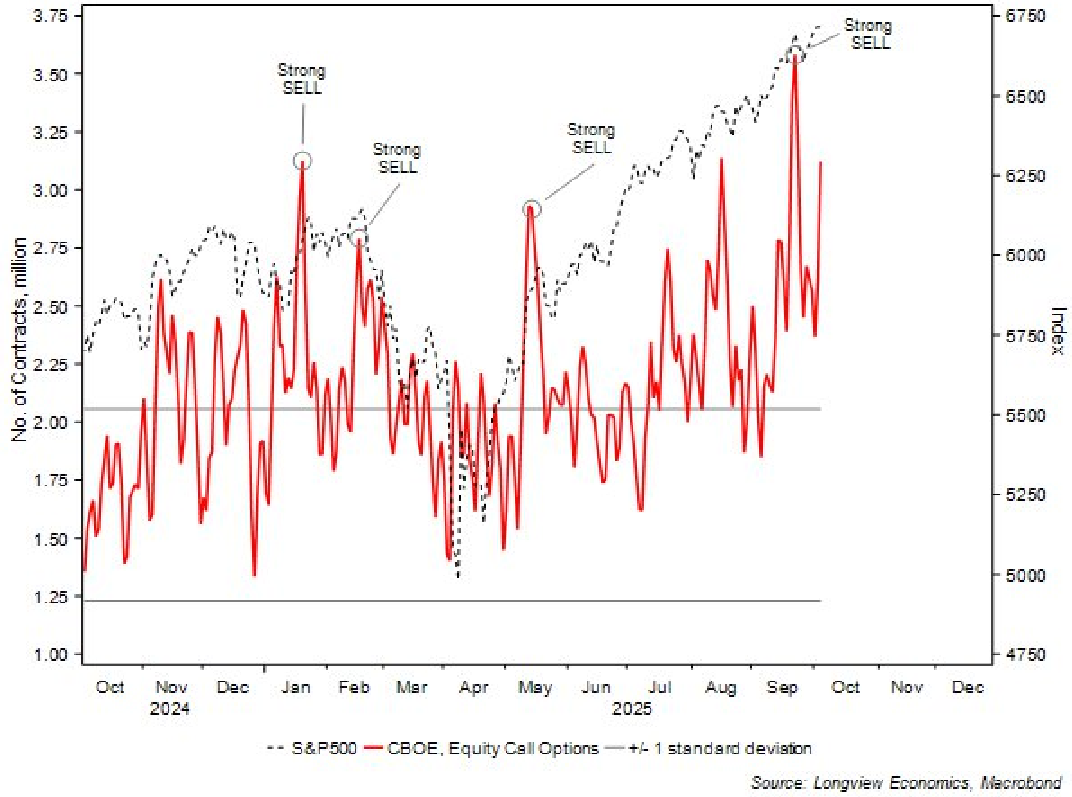


FIG 1e: Longview 'fast moving' TAA scoring system vs. S&P500

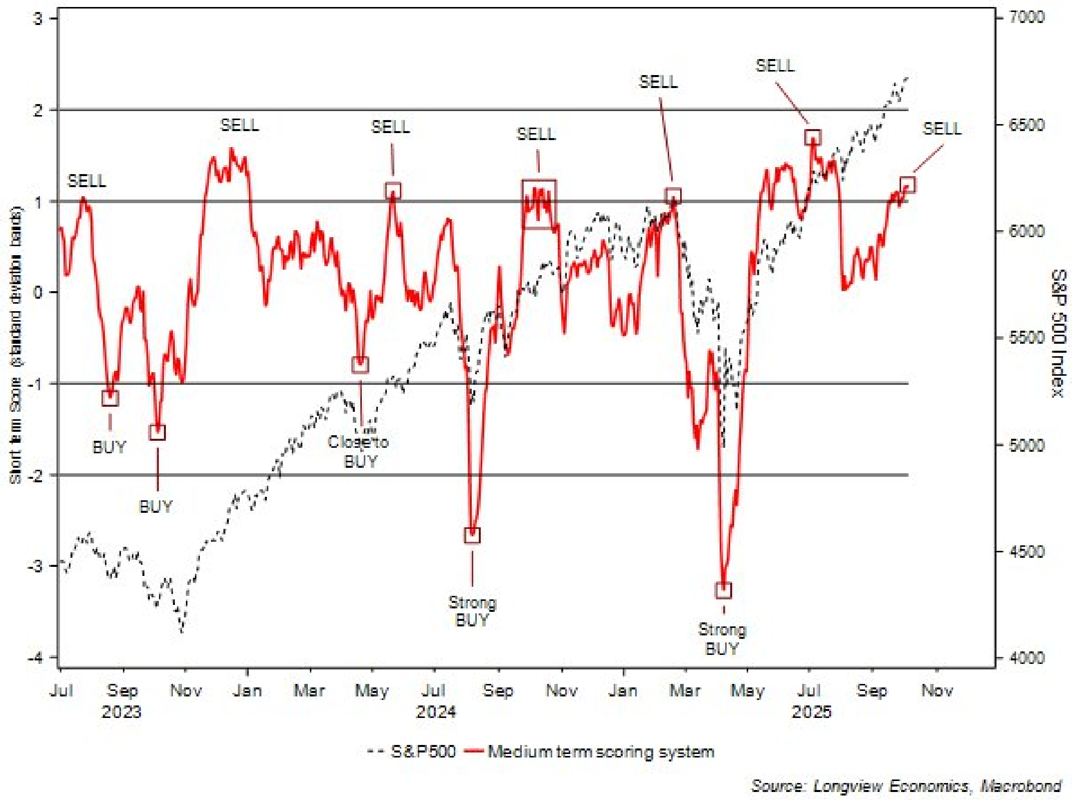


FIG 1f: S&P500 e-mini volumes (1st & 2nd contract, 75d smoothed) vs. S&P500

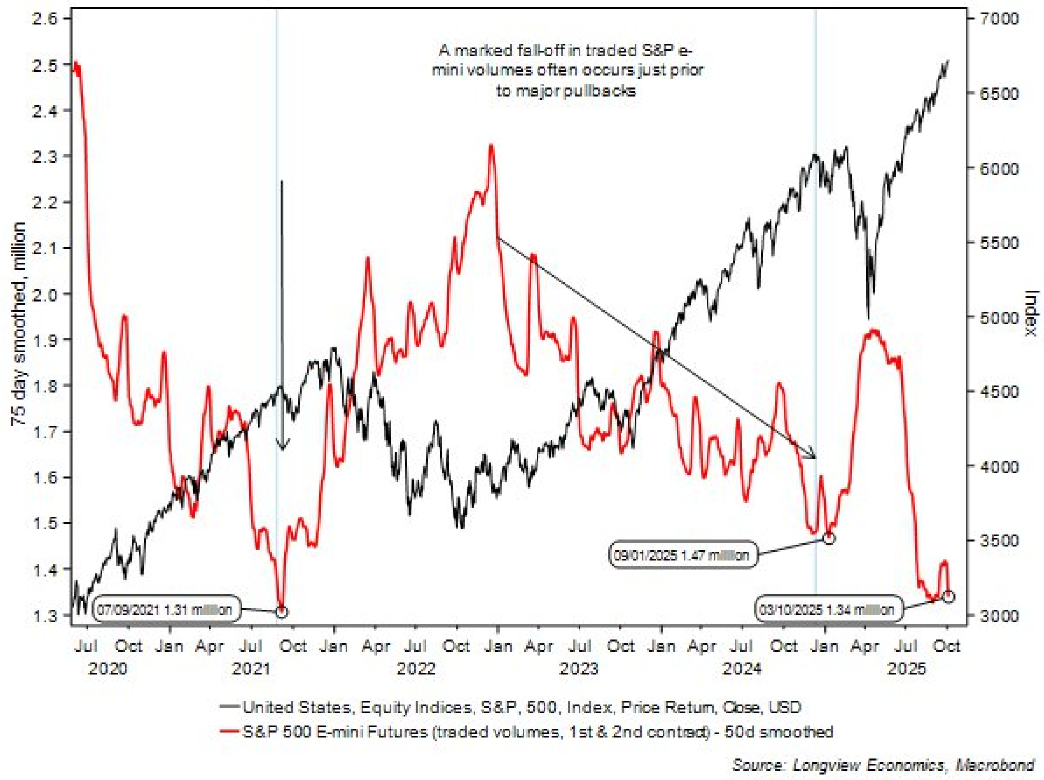
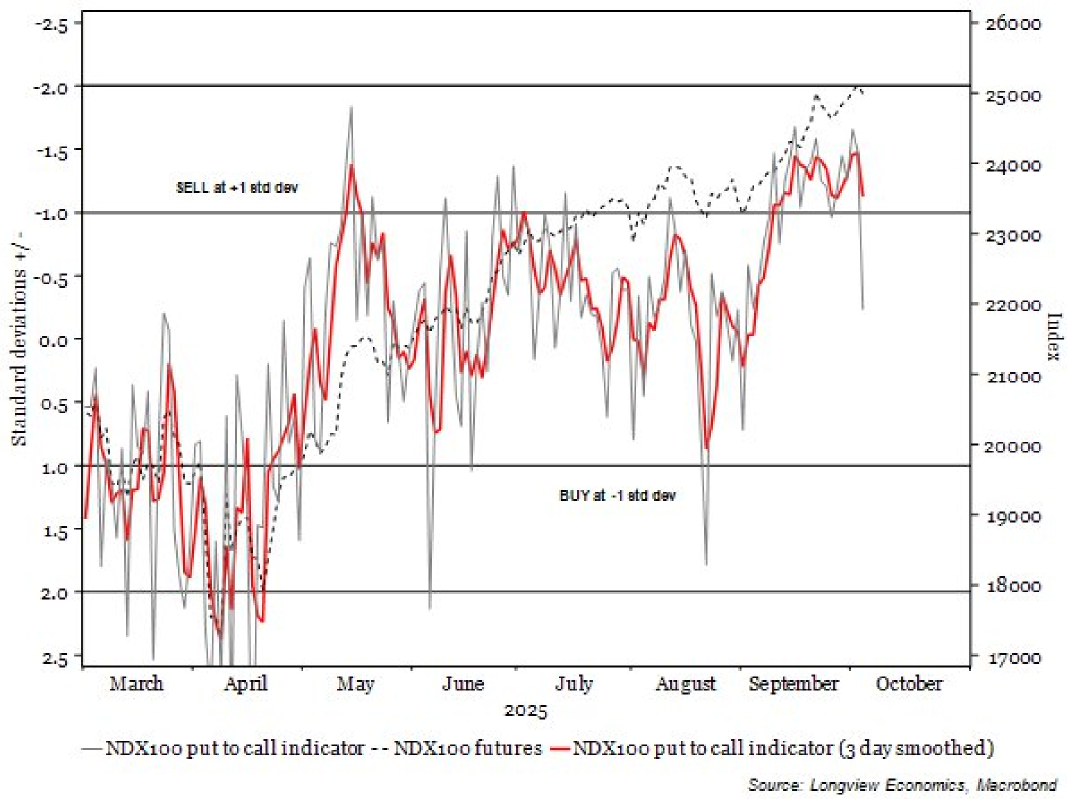


FIG 1g: NDX100 put to call indicator (1 & 3 day smoothed), NB scale INVERTED vs. NDX100



Short term (1 – 2 week) market timing models have mostly moved higher towards their SELL thresholds (i.e. this past week)……

FIG 2: Longview short term **'risk appetite'** scoring system vs. S&P500

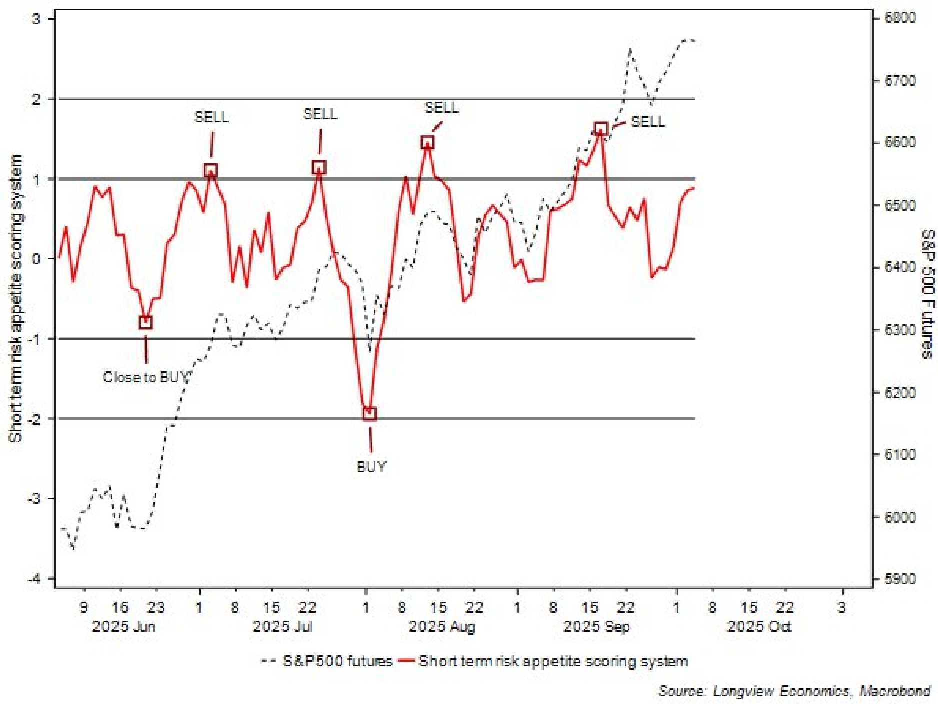


FIG 2a: Longview combined key **'risk appetite'** models (RAG1 + RAG2) vs. S&P500

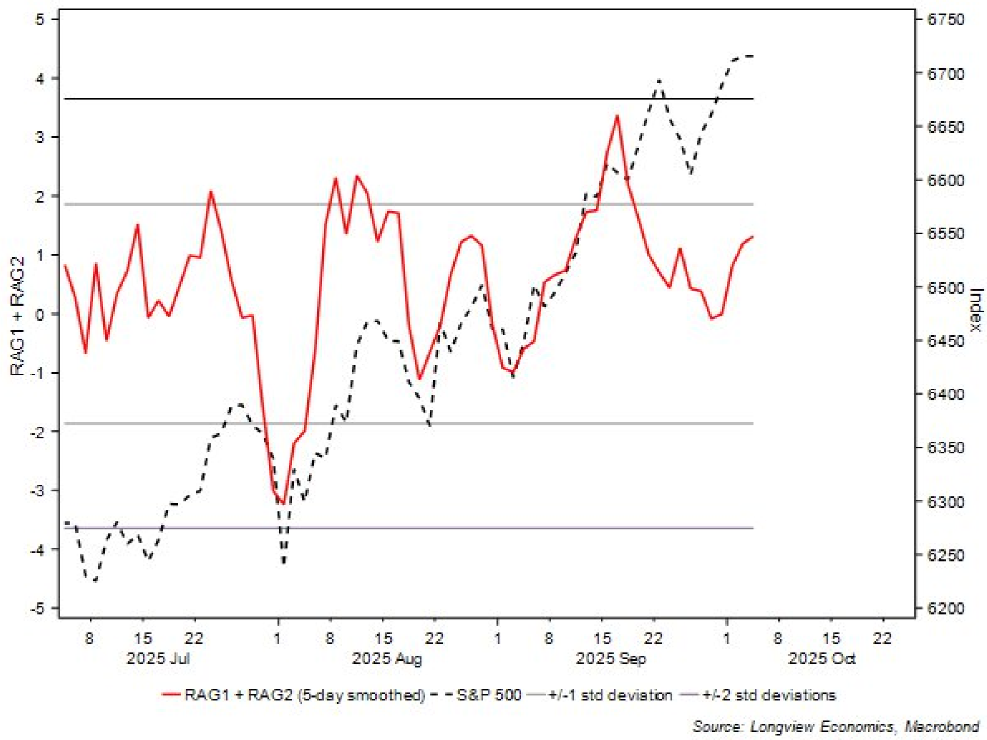


FIG 2b: Longview S&P500 **short term 'technical'** scoring system vs. S&P500 futures

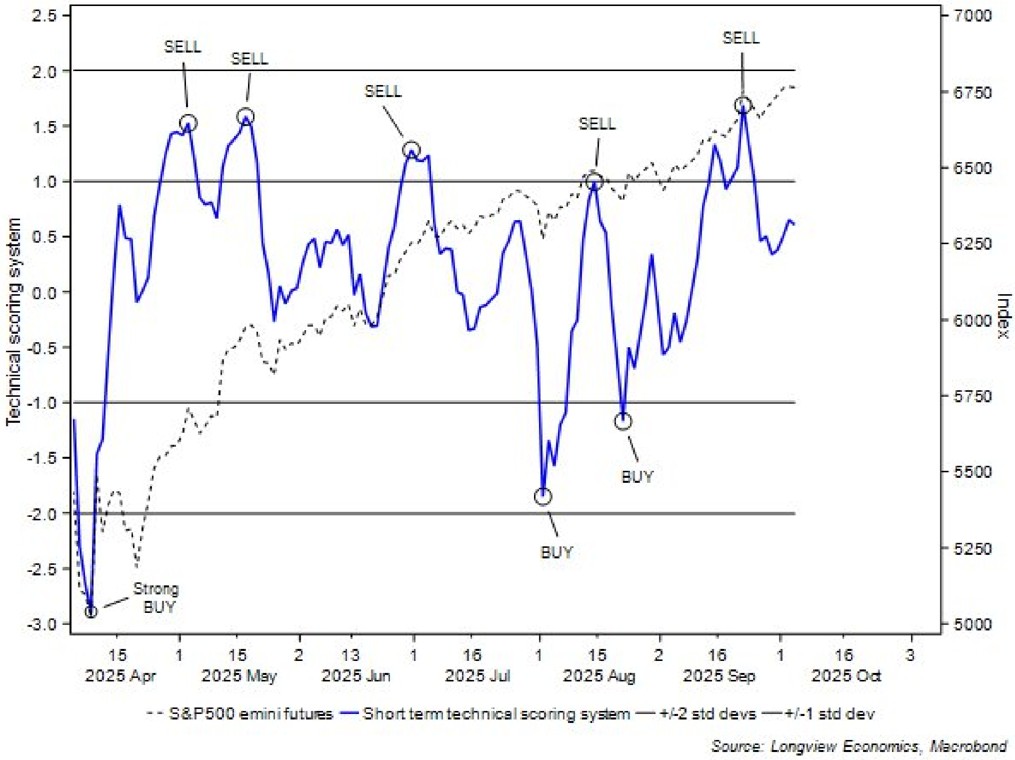


FIG 2c: Longview NDX100 & Philly SOX short term **'technical'** scoring system vs. NDX100 futures

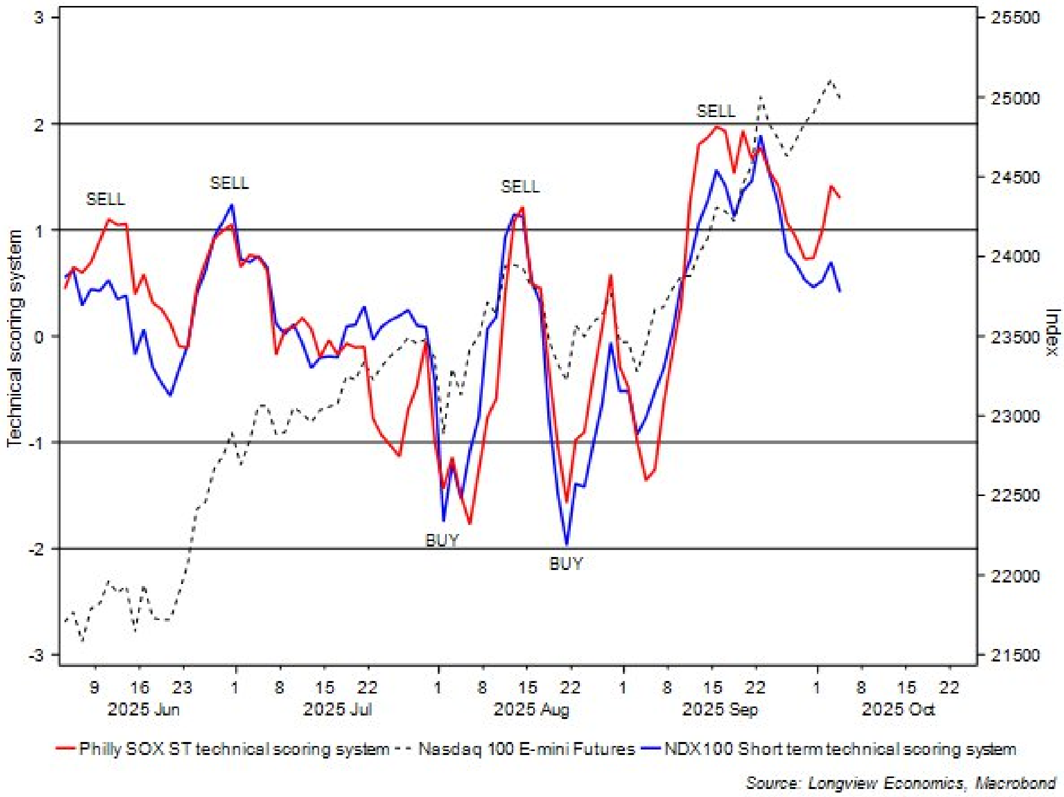
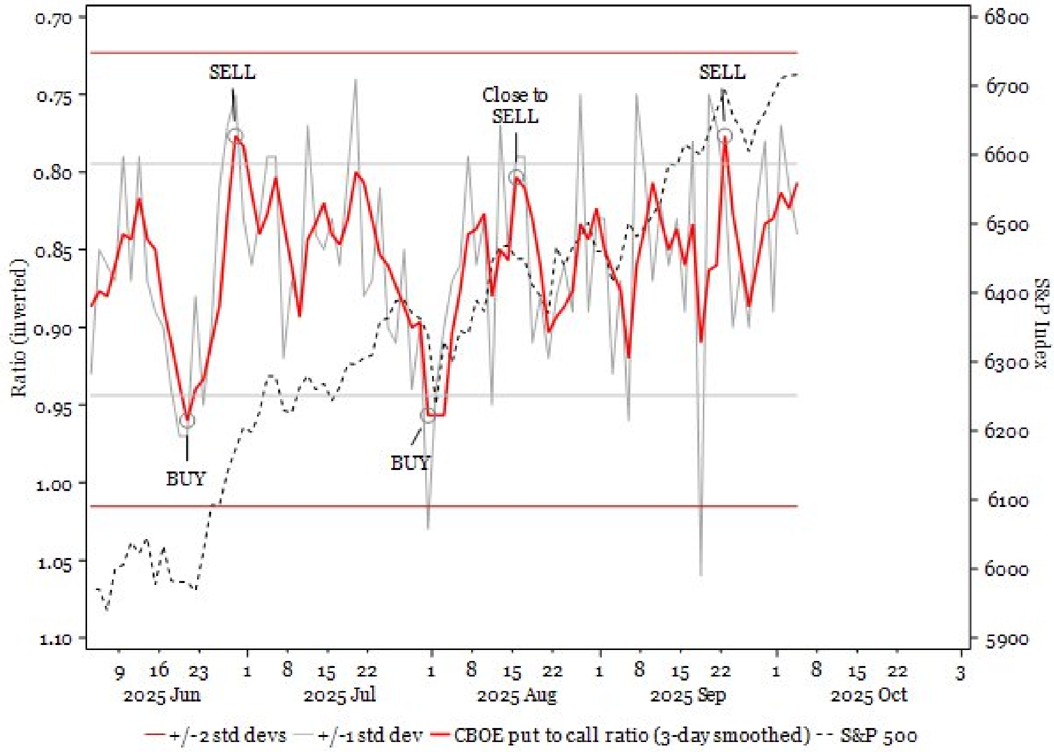
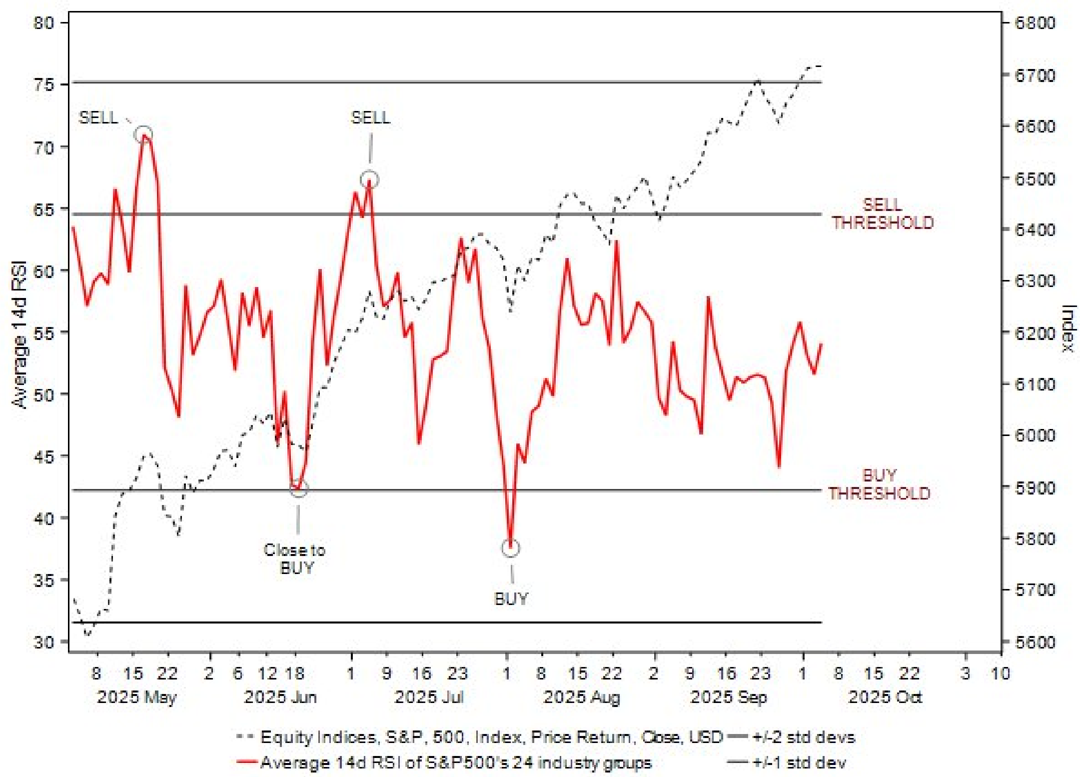


FIG 2d: CBOE put to call ratio (1 & 3 day smoothed with standard deviation bands) vs. S&P500



Source: Longview Economics, Macrobond

FIG 2e: Average short term 14d RSIs of US industry groups (i.e. all 24) vs. S&P500



Source: Longview Economics, Macrobond

LVRAG

Daily Risk Appetite Gauge

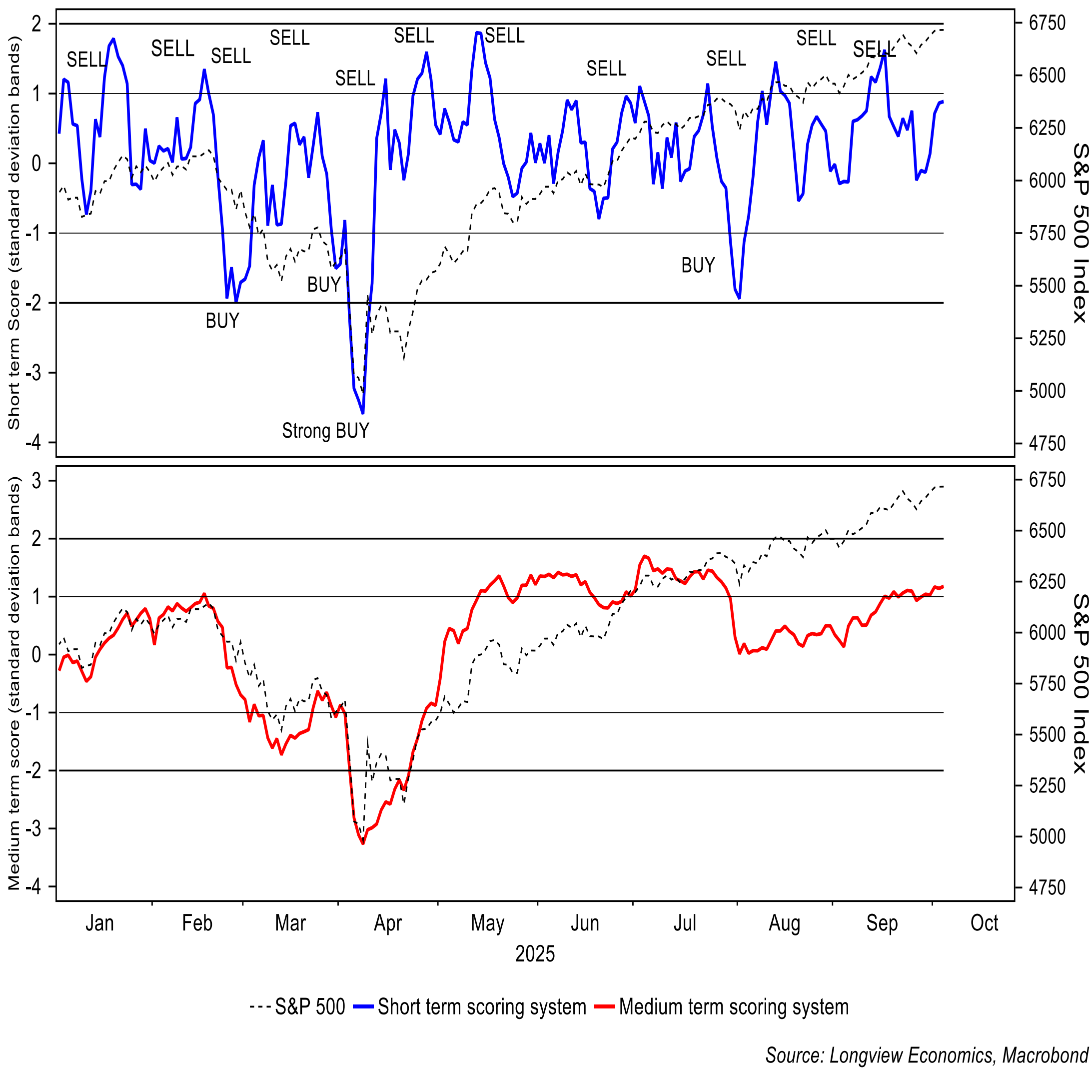
1 – 2 Week View on Risk

6th October 2025

Longview Economics
Email: research@longvieweconomics.com

Section 1: Longview Scoring Systems (short & medium term*)

Fig 1: Longview 'short term' and 'medium term' scoring systems



Short term scoring system is NEUTRAL

Medium term scoring system is on SELL

*NB short term is 1 – 2 weeks; medium term is 1 – 4 months

Important disclosures are included at the end of this report
For explanations of indicators please see page 10

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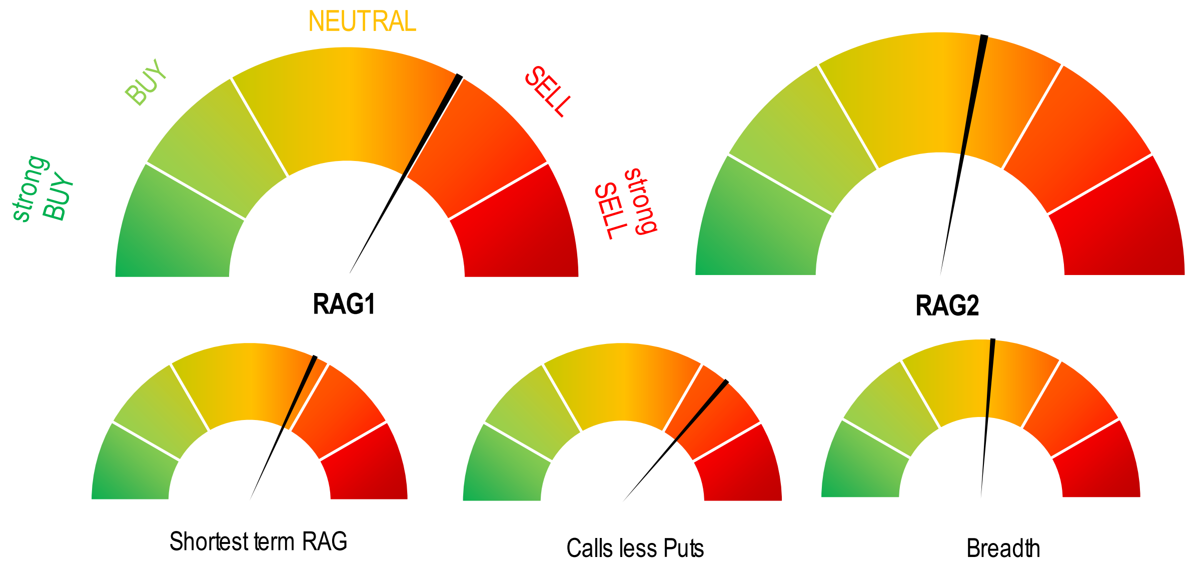
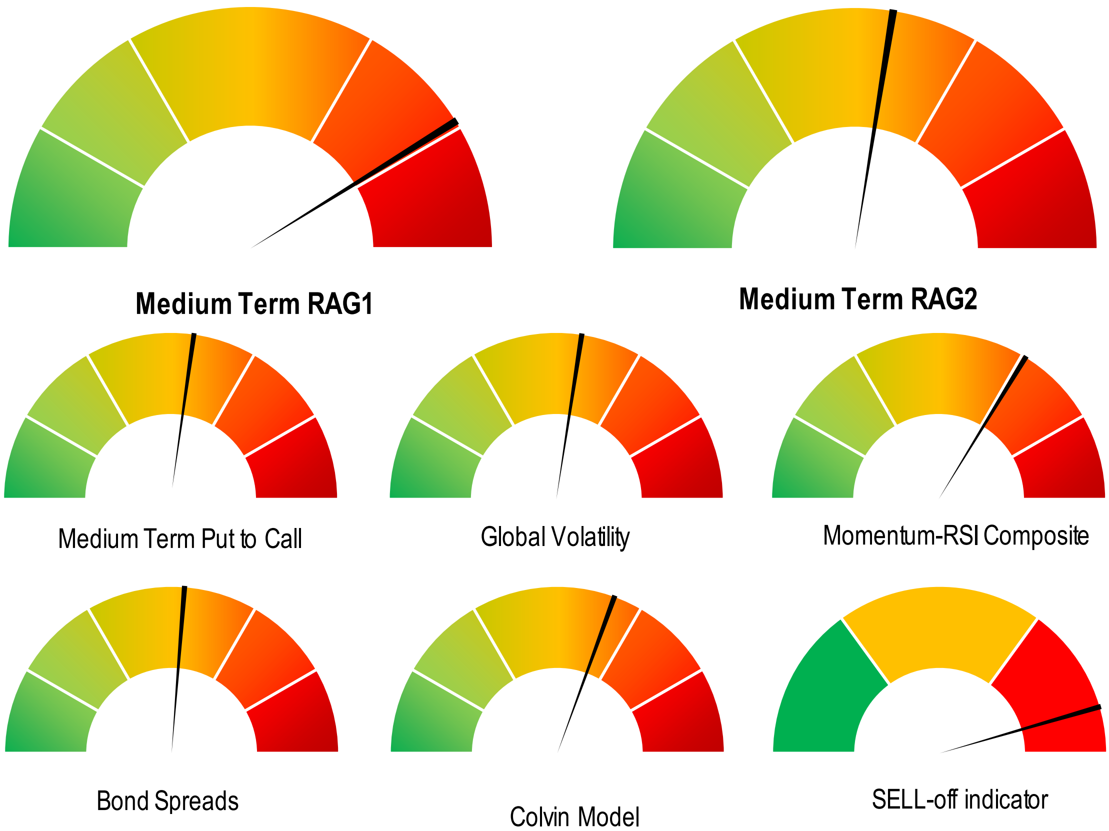
Section 1a: Summary of indicator signals**

Fig 1a: Short term models – shown as gauges using standard deviation bands



Source: *Longview Economics*

Fig 1b: Medium term models – shown as gauges using standard deviation bands



Source: *Longview Economics*

**The gauges are a pictorial representation of the strength of the current BUY, SELL or NEUTRAL signal of each indicator

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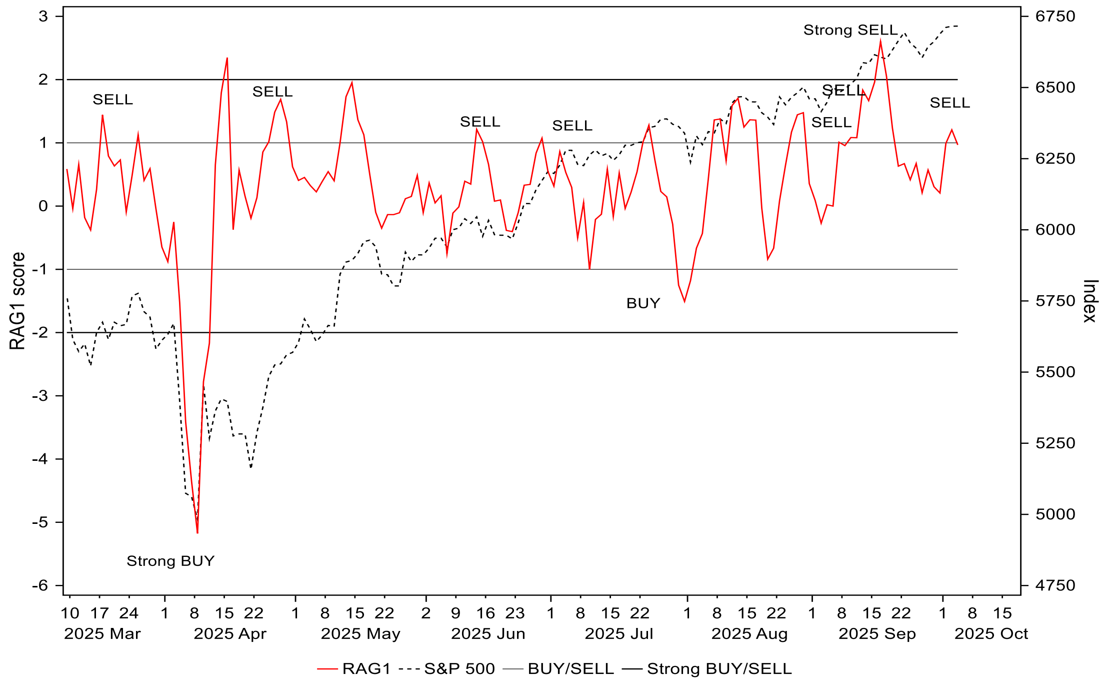
Section 2: Short term (1 – 2 week) trading models

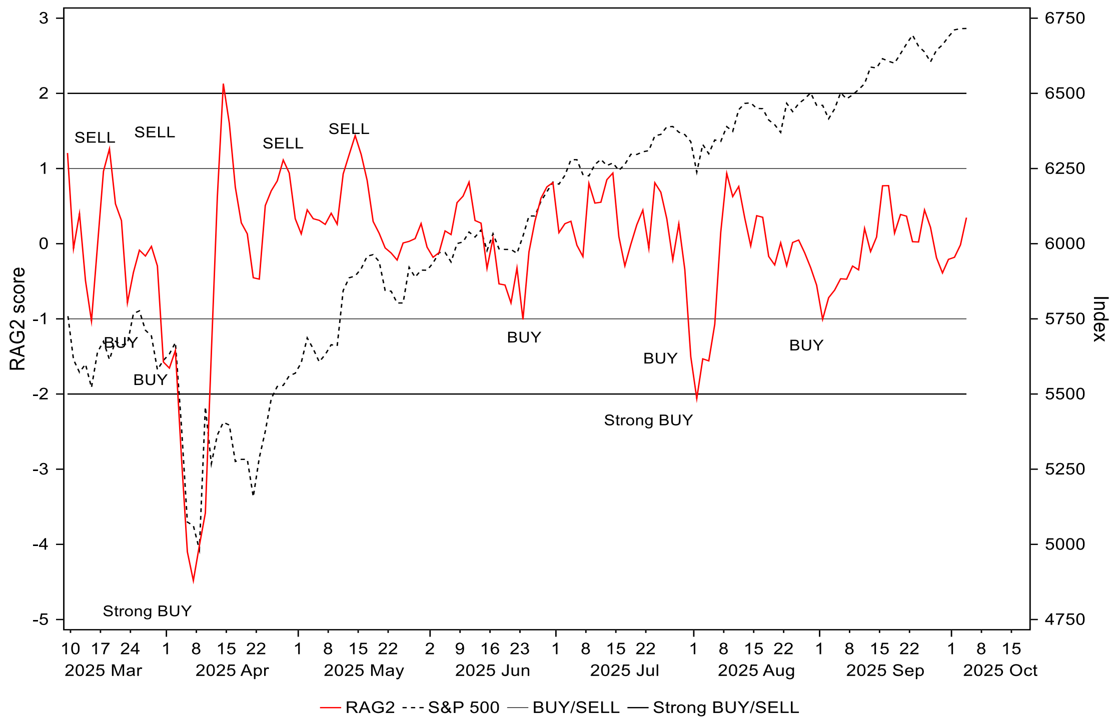
Fig 2a: RAG 1 vs. S&P 500



RAG1 is on SELL (just)

Source: Longview Economics, Macrobond

Fig 2b: RAG 2 vs. S&P 500



RAG2 is NEUTRAL

Source: Longview Economics, Macrobond

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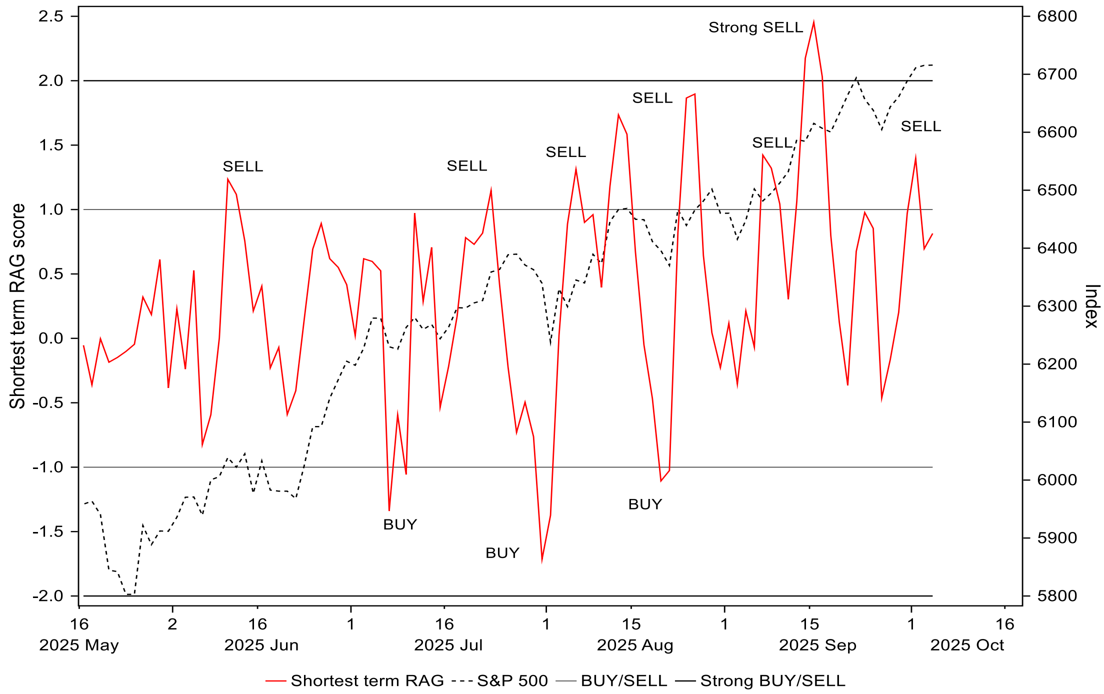
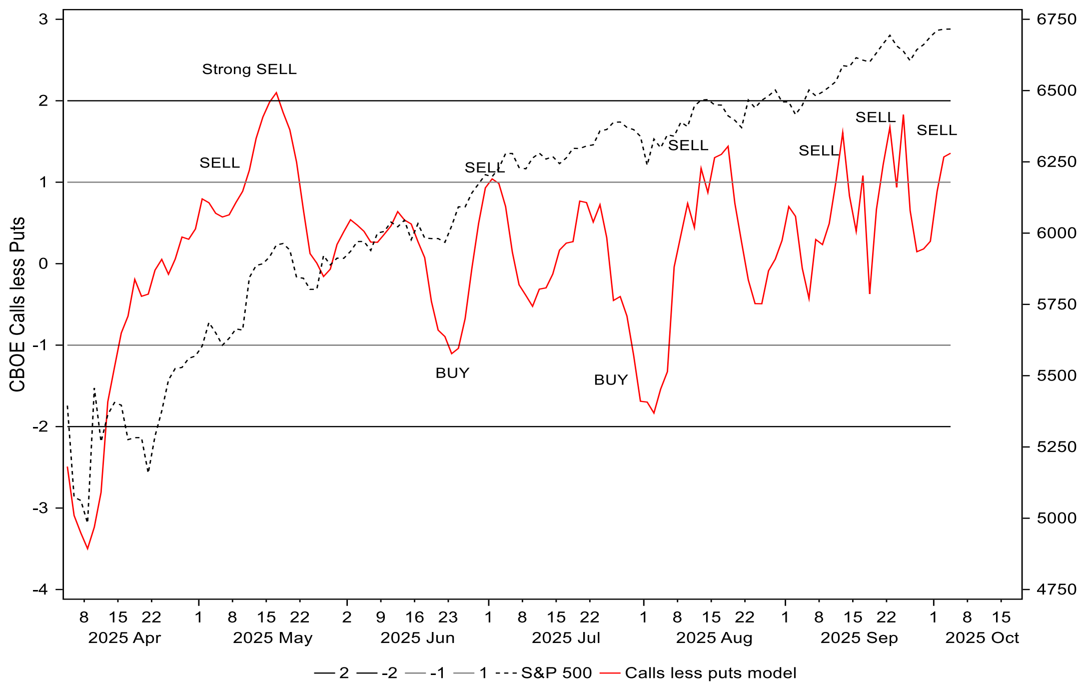
Fig 2c: Shortest term RAG (i.e. using a 3 day moving average) vs. S&P 500



Shortest term RAG is NEUTRAL

Source: Longview Economics, Macrobond

Fig 2d: CBOE calls less puts (5 day moving average) vs. S&P500



Calls less puts model is on SELL

Source: Longview Economics, Macrobond

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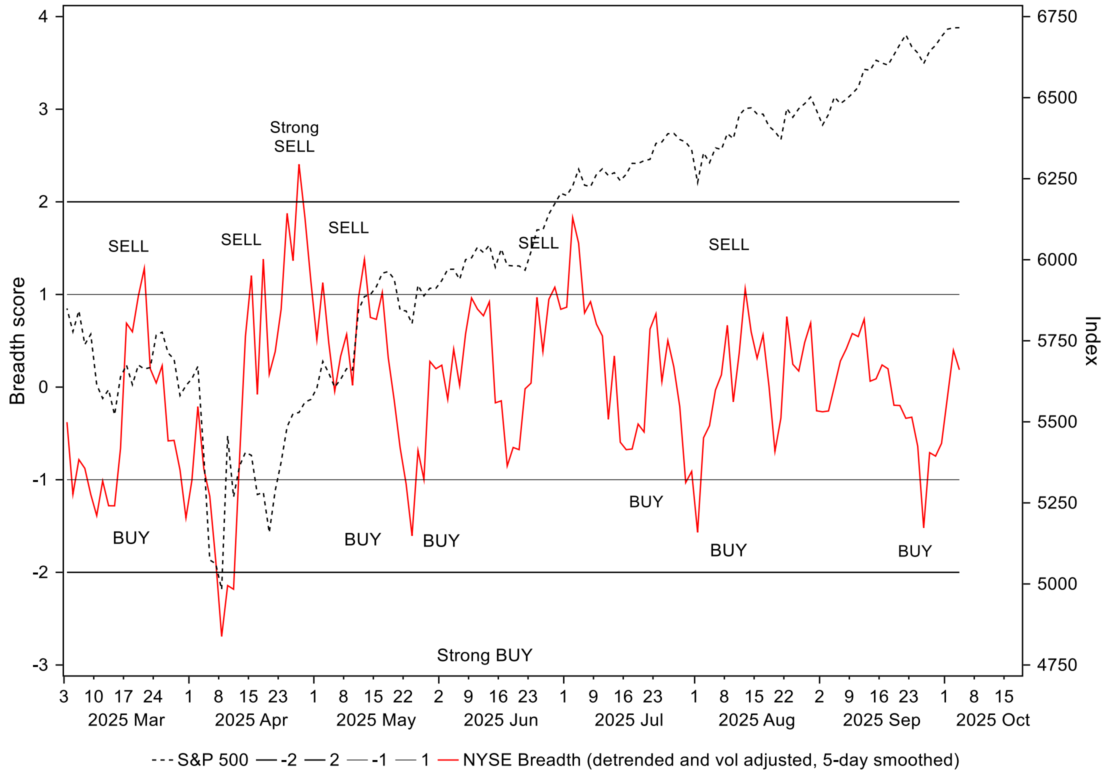
Fig 2e: Advancers less decliners (NYSE) – 5 day moving average vs. S&P 500



Source: Longview Economics, Macrobond

The breadth model is NEUTRAL

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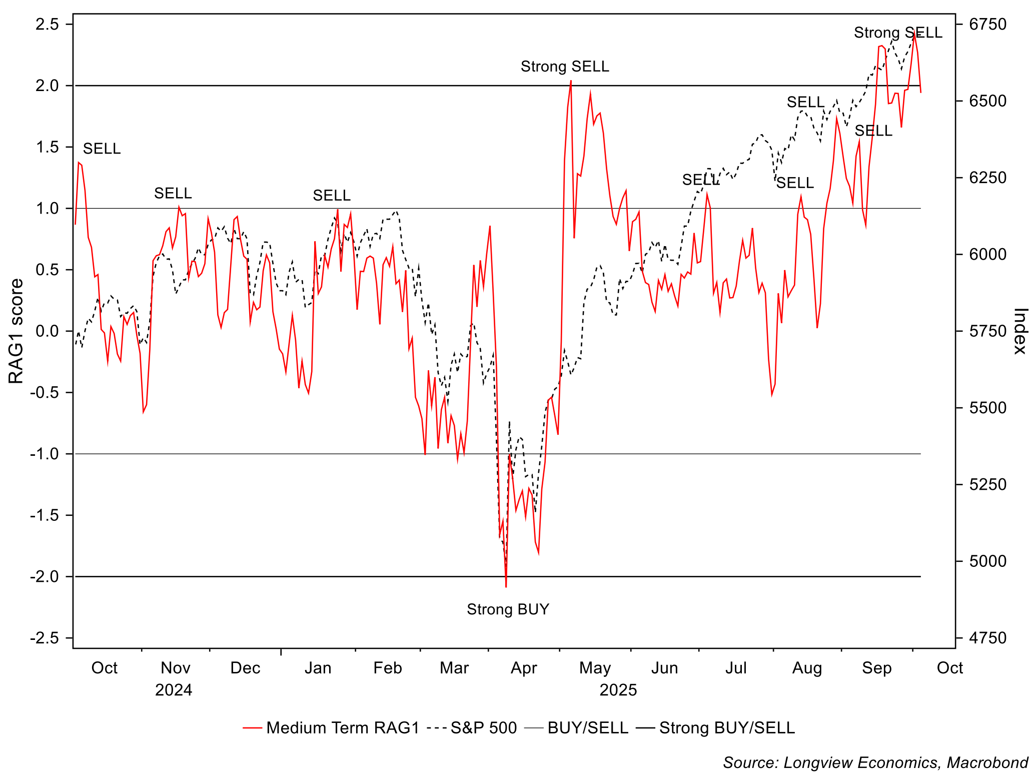
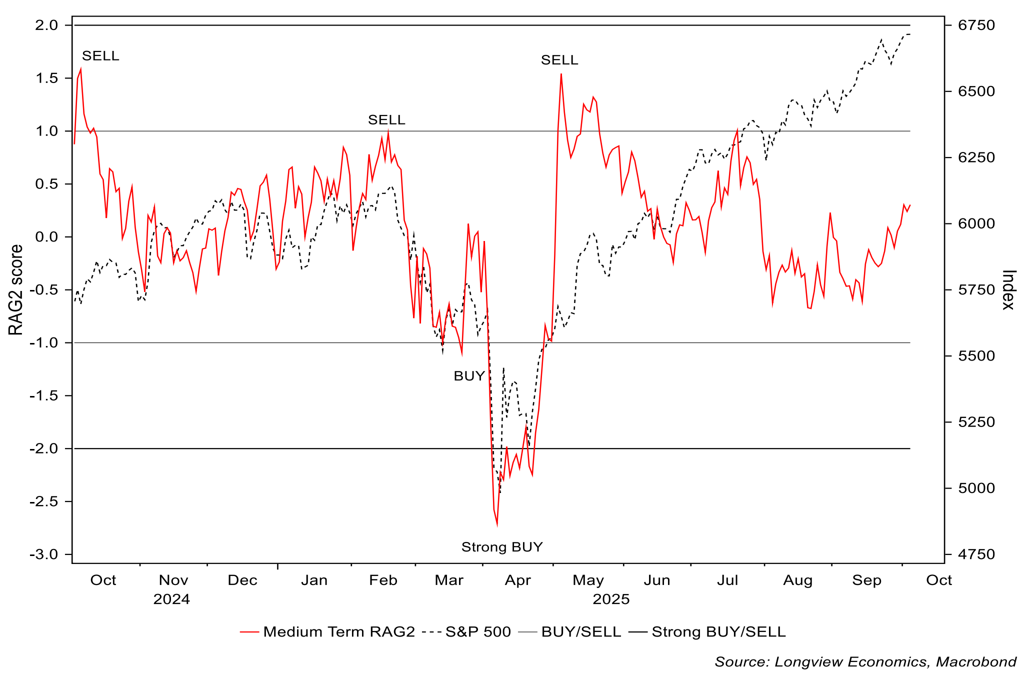
Section 3: Medium term (1 – 4 month) outlook

Fig 3a: Medium term RAG1 (1 – 4 month view) vs. S&P 500



Medium term RAG1 is on SELL

Fig 3b: Medium term RAG2 (1 – 4 month view) vs. S&P 500



Medium term RAG2 is NEUTRAL

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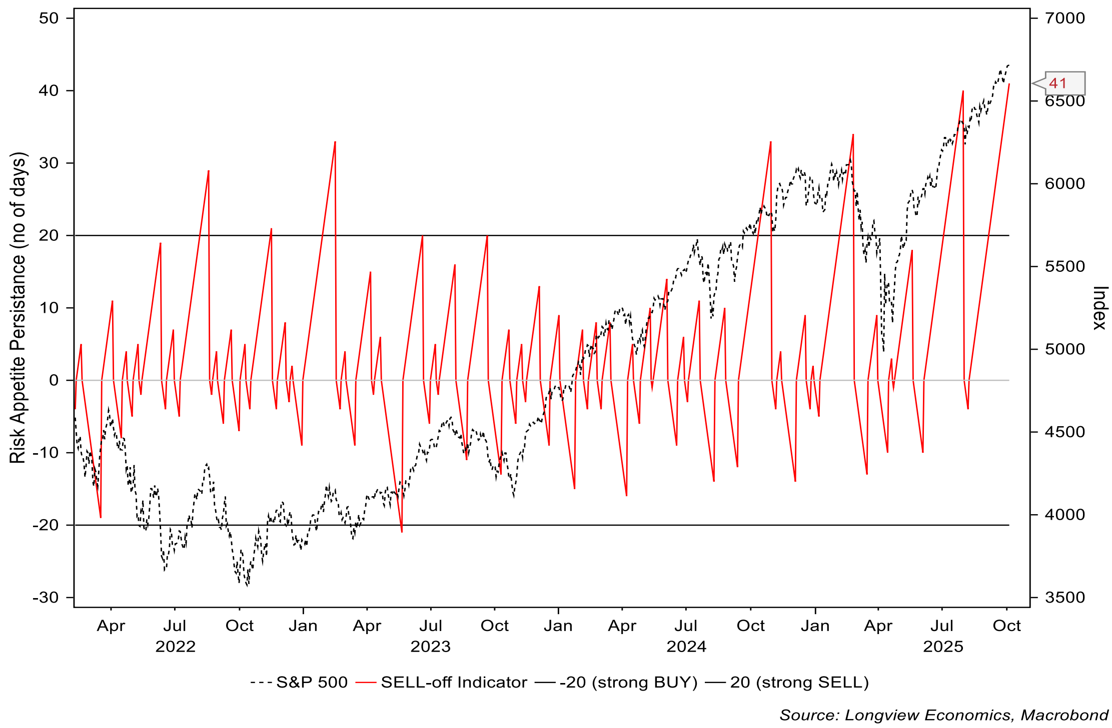
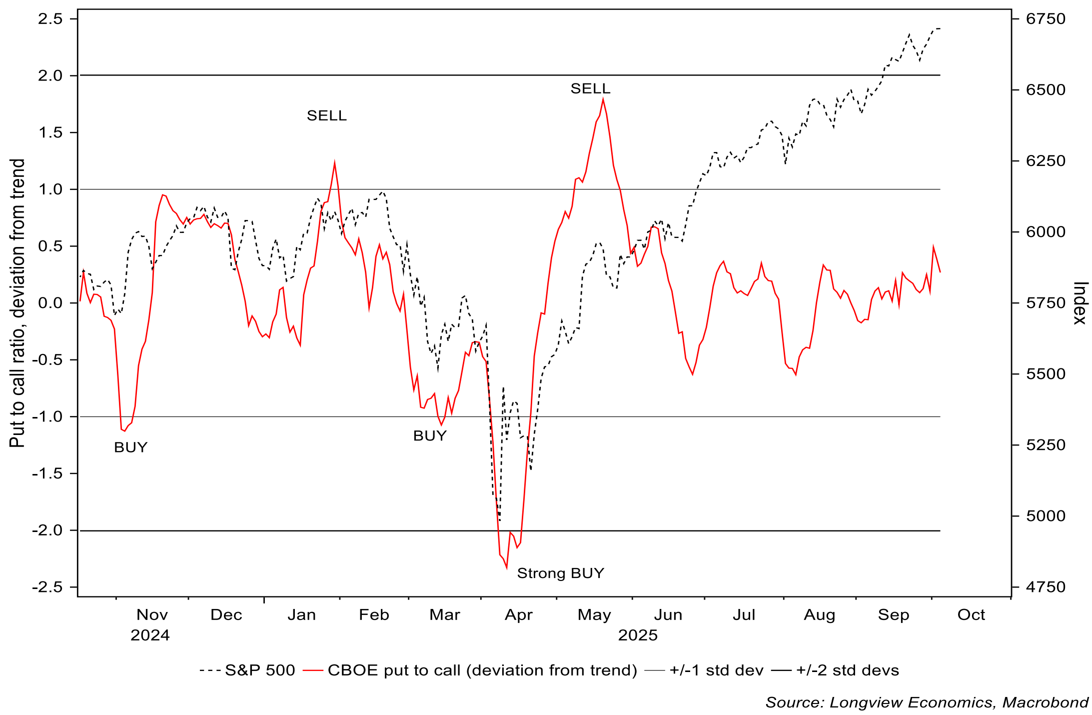
Fig 3c: SELL-off indicator (shown vs. S&P500)



The SELL-off indicator is on SELL

(@ +20 it warns of a potential major SELL-off in risk assets – i.e. a strong SELL signal)

Fig 3d: CBOE put to call trend deviation model vs. S&P500



Medium term put to call model is NEUTRAL

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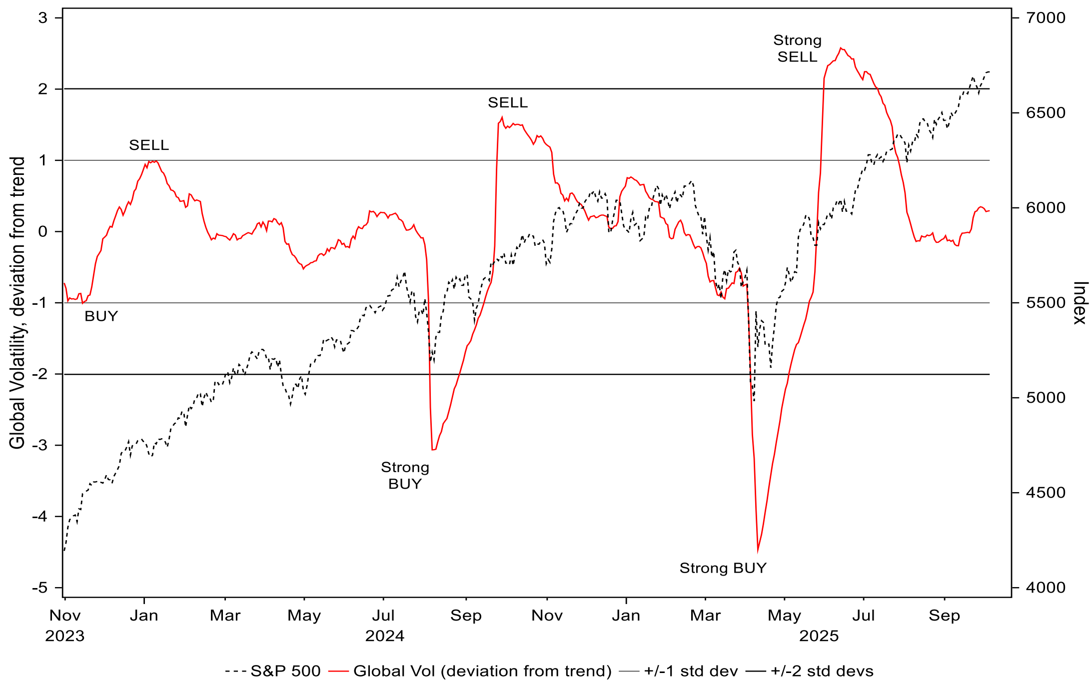
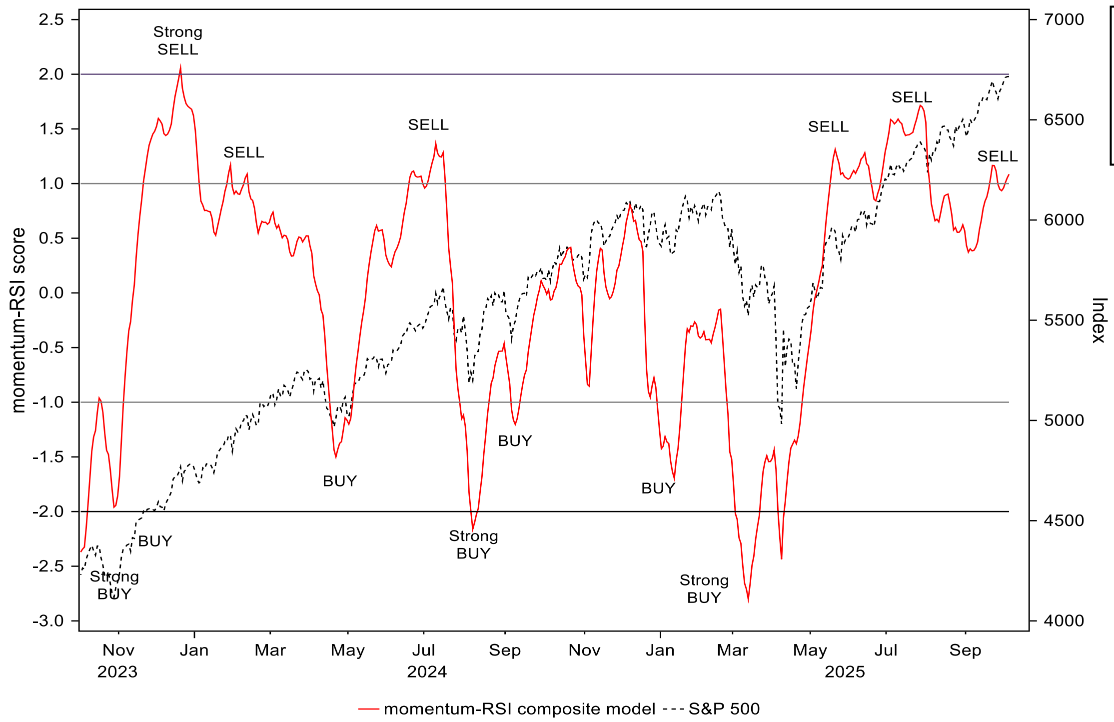
Fig 3e: Global volatility (deviation from trend) model vs. S&P500



Global volatility indicator is NEUTRAL

Source: Longview Economics, Macrobond

Fig 3f: Longview Momentum-RSI composite model vs. S&P 500



US momentum RSI composite model is on SELL

Source: Longview Economics, Macrobond

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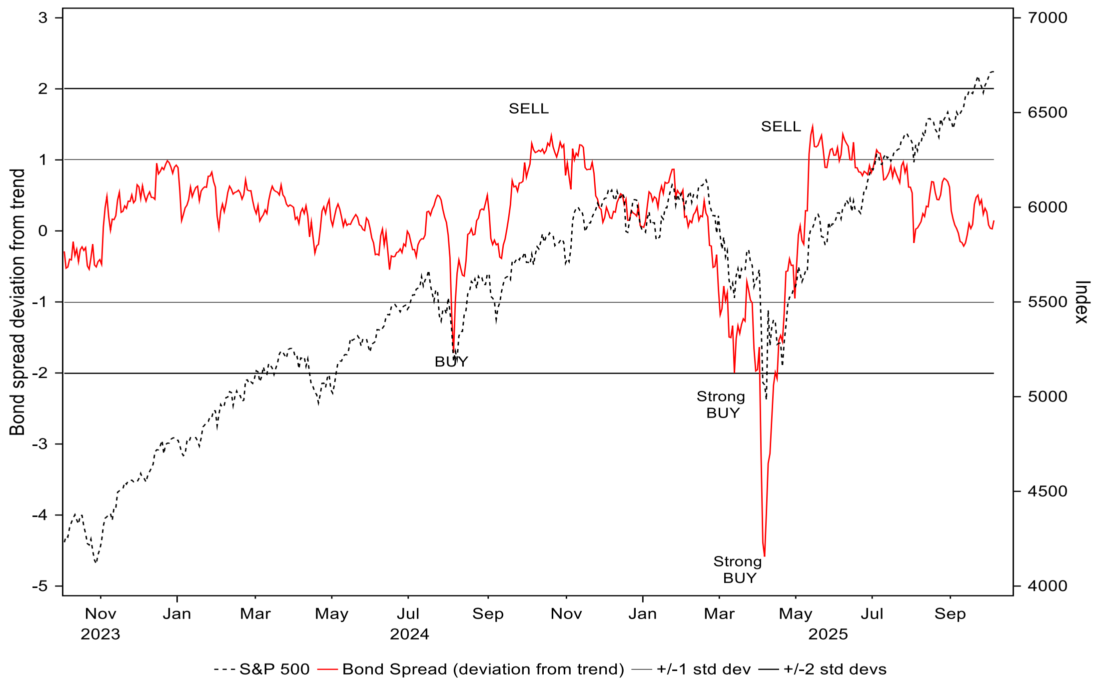
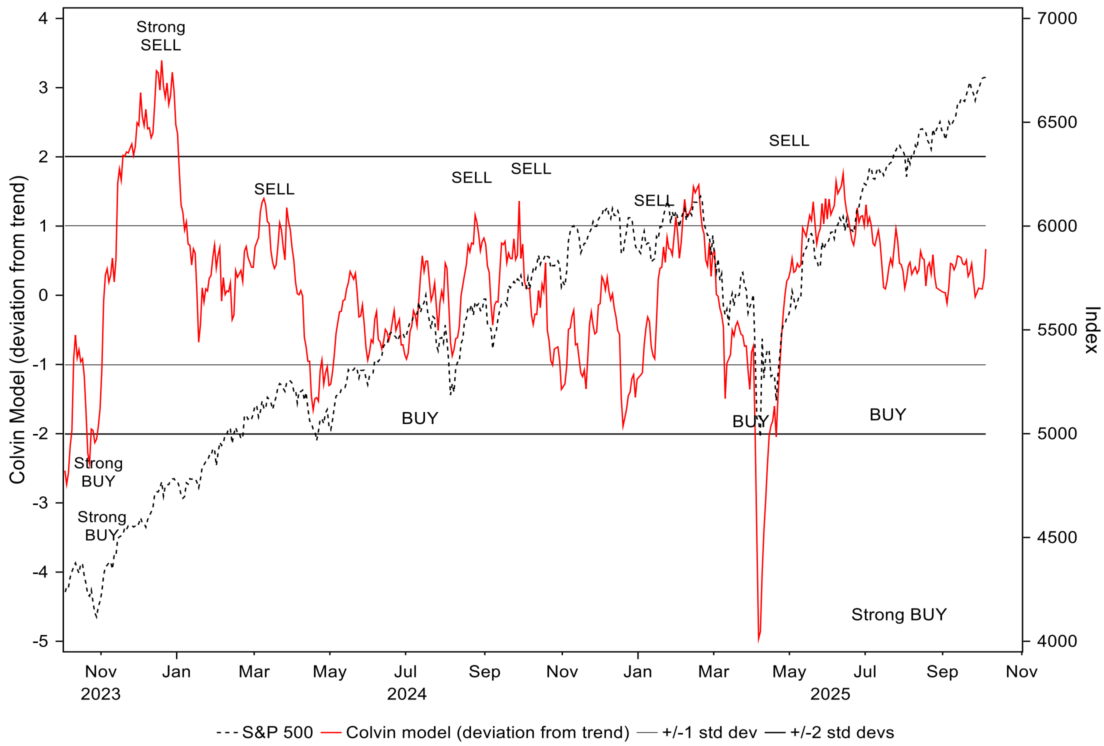
Fig 3g: High yield corporate bond spreads deviation from trend model vs. S&P500



Source: Longview Economics, Macrobond

High yield corporate bond spreads model is NEUTRAL

Fig 3h: Colvin model (deviation from trend) vs. S&P500



Source: Longview Economics, Macrobond

Colvin model – is NEUTRAL

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Appendix: Model Explanations

Model 2a-b: Short term RAG1 & RAG2 (risk appetite gauge)
RAG1&2 each draw upon the volatility and price movement of approximately 70 financial instruments each day. By plotting risk curves we derive the risk appetite of the investment community as a whole on any and every day's trading in financial markets.

Model 2c: Shortest term RAG
This RAG model is a shorter term moving average risk appetite model than model 2a. By being shorter term in nature it helps to more accurately time the entry day for a specific trade.

Model 3a – 3b: Medium term RAGs
This is a medium term version of the risk appetite models. This is designed to forecast the direction of equity markets on a 1 – 2 month timeframe.

Model 3c: SELL-off indicator
The SELL-off indicator measures the number of days our RAG system has been on a SELL signal (i.e. as a positive number) and the number of days which it has been on a BUY signal (negative reading). When the indicator moves above +20 (i.e. risk appetite has been persistently high for a long period of time) this indicator warns of a potential sell-off in equity markets (and other risky assets). Most major SELL-offs in equity markets in recent years have been accompanied/foreshadowed by a reading of over +20.

Model 3d: CBOE put to call (deviation from trend model)
This model measures movements in the put to call ratio from its medium term moving average trend line. A sharp move higher (lower) in the put to call ratio indicates heightened levels of fear (complacency) and is used as a contrarian indicator. NB Given that the absolute put to call ratio has historically undergone long term structural trends, a deviation from trend model correlates more closely with medium term trends in equities.

Model 3e: Global volatility (deviation from trend model)
The (underlying) global volatility indicator measures the degree of complacency in financial prices. It achieves this by measuring short term realised volatility in over 150 financial assets from around the globe and across the asset class spectrum. A low reading indicates that only a low level of risk is priced into financial markets (and vice versa). Given, though, that volatility is an asymmetric measure of risk we use a deviation from trend version – which correlates more closely with trends in equities.

Model 3f: Momentum Model
Based on the rate of acceleration (or deceleration) of the momentum of the convergence (or divergence) of a short and a long term moving average of the equity or other price index. The concept is equally applicable to any financial market and the signals are particularly pertinent at extremes.

Model 3g: High yield corporate bond spreads (deviation from trend model)
This model measures movements in the spread of high yield corporate bonds over US Treasury yields from its moving average trend line. Given that the spread is an asymmetric measure of risk we use a deviation from trend version – which correlates more closely with trends in equities.

Model 3h: Colvin model
The Colvin model measures global market breadth i.e. the strength of the advance (or decline) in global risk asset prices. Extreme deviations from trend reflect rapid advances/declines in asset prices thereby leading to and generating overbought/oversold signals.

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